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RESEARCH ARTICLE

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EXPLORING THE RELATIONSHIP OF DISTRIBUTION CHANNEL ROLE TO TRUST AND PURCHASE INTENTION OF MICROINSURANCE

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Abstract: The purpose of this study is to explore the relationship of distribution channel role to trust and purchase intention of microinsurance at Jakarta and its surrounding cities, such as Bogor, Depok, Tangerang and Bekasi. This study was conducted in a quantitative research with descriptive-causal purpose. The primary data was collected from 35 respondents as a pre-test research. This pre-test study findings indicated that distribution channel role had a significant relationship to trust and had no significant relationship to make consumer purchase intention. The other findings showed that simple information, assurance service, offer the accessibility and understandable information were the strong points of distribution channel role. The others indicators were trustworthiness, consistency, integrity of product and responsiveness were the strong indicators of trust. For practical implication, customer would intent to purchase the microinsurance product because of price, trust to insurer and product.

Keywords: *purchase intention, trust, distribution channel role, microinsurance*

1. INTRODUCTION

Microinsurance is an insurance mechanism that provides risk coverage to the poor or the low-income people. It is an empowerment instrument with social inclusion mechanism, especially in development country [1]. The segment market of microinsurance of this research is several people communities [2] with Purchase Power Parity (PPP) a day between USD 1.25 and up to USD 4 that is about 103 million people in 2010 as a commercially viable microinsurance (CVM) market in Indonesia [3].

Refer to the increasing trend of commercially viable market, understanding the purchase intention of low-income people (customer) in microinsurance product. Even tough there is a big CVM market in Indonesia, but the reality there was not much intention to buy the microinsurance product. It is important for the insurer and channel distribution today to explore several factors to make a purchase intention of microinsurance product. Studies have been found that in many situations, identifying purchase intention related to trust [4] to give the expected outcome [5] and could be influenced by the role of distribution channel (Kotler & Keller, 2009, Federal Ministry for Economic Corporation and Development, 2009).

2. THEORETICAL BACKGROUND

One of the motivation factors those influence behaviors to achieve the goals is intention [6]. Intention is a step before action behavior that combines action motives and attributed or characteristics of something under consideration, such as purchase intention as a step before purchase behavior that combine purchase motives and attribute of product [7]; therefore, the higher of motivation, the higher of purchase intention to buy the product [8]. The purchase intention also can give an estimated future behavior, such as buying behavior; it is a strong indicator but not perfect whereas there are many factors those can influence the buying behavior in the future [9].

Purchase intention could be influenced directly by trust [4], whereas trust itself would trigger the demand even the customer is not familiar to microinsurance [10]. Trust is willingness to rely on an exchange partner in whom one has confidence as

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discussed by Lewin & Johnston (1997), Deutsch (1960), Mayer et al (1995) and Moorman et al (1992) in [11]. Berry (1995) studied that trust is the strongest factor of marketing relationship to customer intention [11]. In many studies, there are three antecedent factors of trust: ability, benevolence and integrity [5].

Because of trust, the micro insurer could make a cooperation to distribution channel, such as multi finance institution, un-profit organization, groceries, cooperative, or individual those could reach the difficult area and welcome by the community (Federal Ministry for Economic Corporation and Development, 2009, p.8). Distribution channel, as a bridge between producer and customer, should has a value add for its customer [12], such as role. The role of distribution channel is a formula to define what behavior should be done by a member in certain position (Biddle & Thomas, 1966 in Rosenbloom, 2004). The role itself consists of information, service, facility, technology [13], and the main point is how distribution channel understand of what customer expect [14].

3. METHOD

A. Research Design

The study was a pre-test research to explore the contribution of significant relationship among constructs. The kind of study was a descriptive-causal research that was concerned with determining the characteristic and population by data collection and data processing to make a causal relationship between two variables or more [15] or focus on the question of what, who, when, where and how one variable could relate the others [16]; which in this study was determining the relationship between distribution channel role to trust and purchase intention of microinsurance. The time dimension of this study was cross-sectional whereas the questionnaire forms were distributed only once in certain period [16], on July to October 2014. The study used survey data gathered from sample of 35 micro-entrepreneurs by purposive sampling. The reason of using purposive sampling method is because of the probability of respondent to chose as a sample is unknown [15] and microinsurance is a specific product that only certain people knew and had experience to confirm about it [17]. The questionnaire was designed on ordinal scale. Respondents were asked to indicate their preference of five numbers of Likert scale, from 1 as a worse or un-preferable option to 5 as the best or preferable option. The primer data were analyzed using PLS method those could give a theory prediction and theory confirmation [18]. The software used was SmartPLS.

B. The Constructs

- **Distribution Channel Role Construct**

The main functions of distribution channel are information sharing, sales and customer service, including data processing [18]. Data processing needs information system to give the accuracy result to do an optimal service to the customer [13]. The indicators of distribution channel role in this study consist of 19 indicators (B): understandable-B1, accuracy-B2, up to date-B3, simple-B4 [13], tangible-B5, reliable-B6, assurance-B7, empathy-B8, competence-B9, trustworthiness-B10, courtesy-B11 [19, 20], variety-B12, item availability-B13, ability-B14, timeliness-B15, accessibility-B16, technological after sales service-B17, flexibility-B18, e-communication-B19 [13].

- **Trust Construct**

In this study, the indicators of trust refer to the characteristics of ability, benevolence, and integrity [5]. They were divided into some questions of competencies, responsiveness, interaction, trustworthiness, consistency, integrity, and utmost good faith. Each group of question represented trust to distribution channel (D1-D7), trust to insurer (D8-D14), and trust to product (D15-D21), therefore there were 21 questions of it.

- **Purchase Intention Construct**

The indicators referred to willingness to buy the product-E1, willingness to recommend to others-E2, the future purchase intention-E3 [19], based on benefit-E4A, price-E4B, promotion-E4C, offering-E4D, credit facility-E4E, trust to agent-E4F, trust to insurer-E4G, and trust to the product-E4H.

C. Analysis Method

The analysis used Partial Least Square Path Modeling (PLS-SEM) or variance structural equation modeling by Wold [20] to test for theory development of this study. It was deliberately presented on the relationship of distribution channel role to purchase intention of microinsurance with or without the intervening variable of trust.

Reflective indicators were used in this study. Therefore the evaluation methods were the convergent validity and discriminant of latent construct indicators, composite reliability and conbranch alpha of indicator block [20].

4. RESULT AND DISCUSSION

A. Data Result

There were three latent variables with an exogen variable (Distribution Channel Roles) and two endogen variables (Trust and Purchase Intention). Moreover, distribution channel role construct was measured by 19 indicators (B1-B19), trust construct has 21 indicators (D1-D21) and purchase intention was measured by 11 indicators (E1-E4H). The result of data processing of each indicator in questionnaire is shown in Table 1a and 1b.

TABLE 1A. THE RESULT OF INDICATOR DATA PROCESSING

	Indicator	Mean	Missing	Min	Max
1	B1	4.314	-	3.000	5.000
2	B2	4.200	-	2.000	5.000
3	B3	4.029	-	3.000	5.000
4	B4	4.029	-	2.000	5.000
5	B5	3.943	-	3.000	5.000
6	B6	3.714	-	1.000	5.000
7	B7	4.257	-	3.000	5.000
8	B8	4.029	-	1.000	5.000
9	B9	4.200	-	3.000	5.000
10	B10	4.457	-	3.000	5.000
11	B11	3.800	-	1.000	5.000
12	B12	3.743	-	2.000	5.000
13	B13	3.657	-	1.000	5.000
14	B14	3.629	-	1.000	5.000
15	B15	3.829	-	1.000	5.000
16	B16	4.286	-	3.000	5.000
17	B17	3.400	-	1.000	5.000
18	B18	4.171	-	1.000	5.000
19	B19	4.143	-	3.000	5.000

TABLE 1B. THE RESULT OF INDICATOR DATA PROCESSING (CONTINUED)

	Indicator	Mean	Missing	Min	Max
20	D1	3.971	-	3.000	5.000
21	D2	4.171	-	3.000	5.000
22	D3	3.857	-	2.000	5.000
23	D4	4.257	-	3.000	5.000
24	D5	4.171	-	3.000	5.000
25	D6	4.086	-	3.000	5.000
26	D7	4.143	-	3.000	5.000
27	D8	4.200	-	3.000	5.000
28	D9	4.286	-	3.000	5.000
29	D10	4.029	-	3.000	5.000
30	D11	4.314	-	2.000	5.000
31	D12	4.114	-	3.000	5.000
32	D13	4.143	-	3.000	5.000
33	D14	4.171	-	4.000	5.000
34	D15	4.429	-	4.000	5.000
35	D16	3.286	-	1.000	5.000
36	D17	4.114	-	3.000	5.000
37	D18	4.171	-	3.000	5.000
38	D19	4.457	-	3.000	5.000
39	D20	4.429	-	3.000	5.000
40	D21	4.143	-	3.000	5.000
41	E1	4.000	-	1.000	5.000
42	E2	3.400	-	1.000	5.000
43	E3	2.543	-	1.000	5.000
44	E4A	4.286	-	3.000	5.000
45	E4B	4.457	-	3.000	5.000
46	E4C	4.257	-	3.000	5.000
47	E4D	3.743	-	2.000	5.000
48	E4E	4.229	-	3.000	5.000
49	E4F	4.257	-	3.000	5.000
50	E4G	4.343	-	3.000	5.000
51	E4H	4.171	-	3.000	5.000

B. Outer Model Evaluation

The purpose of this evaluation was to measure the validity and reliability of research model [20]. The measurement used some approach:

- **Convergent Validity**, the evaluation used AVE (Average Variance Extract) Parameter. The model would be valid if AVE value of construct > 0.5.
  At the first measurement, all constructs has AVE < 0.5 (Figure 1), therefore all indicators were evaluated, especially if the loading factor of indicator was below than 0.5.

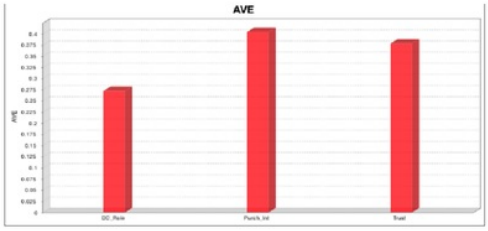

Figure 1. AVE Value of Constructs at the First Measurement

Those indicators had to drop, they are: B5 (tangible), B6 (reliable), B8 (empathy), B11 (courtesy), B12 (variety), B13 (item availability), B14 (ability), B15 (timeliness), B17 (technological after sales service), B18 (flexibility), D1 (competency of distribution channel), D3 (interaction of distribution channel), D8 (competency of insurer), D10 (interaction of insurer), D11 (trustworthiness of insurer), D12 (consistency of insurer), D13 (integrity of insurer), D16 (responsiveness of product), E1 (willingness to buy the product), E2 (willingness to recommend to others), E3 (the future purchase intention), E4D (offering).
After dropping the indicators those had loading factor below than 0.5, the second measurement was run and the result was in good order, all constructs were valid (AVE Value > 0.5), as shown in Figure 2.

Figure 2. AVE Value of Constructs at the Second Measurement

- **Composite Reliability (CR)**, the evaluation through comparative with CR Value > 0.7. The result of CR measurement is shown in Figure 3. All constructs are reliable.

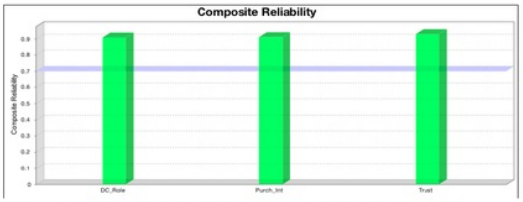

Figure 3. Reliability Measurement by Composite Reliability

C. Inner Model Evaluation (Structural Model)

The purpose of this evaluation was to predict the relationship among latent variable [20]. Inner model was evaluated by reviewing the variance percentage of R-Square for latent endogen. It would describe the substantive relationship of latent exogen variable to latent endogen variable.

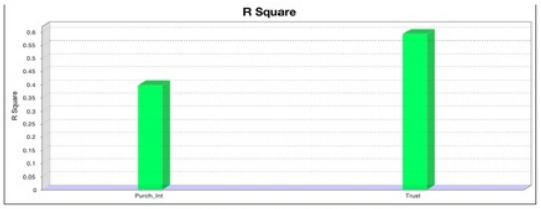

Figure 4. R-Square Test

Refer to Figure 4, the output of R-Square Test described that 59.2% of Trust Construct was contributed by Distribution Channel Role and the rest was contributed by others. Moreover, only 39% of Purchase Intention Construct was contributed by Distribution Channel Role and the rest was contributed by others.

D. Path Coefficient Evaluation

Path Coefficient (Table 2) was used to describe direct relationship between construct. The significant test was evaluated by parameter coefficient value and t-test, at the other hand the Total Effect was used to measure indirect relationship between construct.

TABLE 2. PATH COEFFICIENT TABLE

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics (|O/STERR|)	P Values
DC_Role -> Purch_Int	0.425	0.412	0.304	1.397	0.163
DC_Role -> Trust	0.770	0.793	0.057	13.567	0.000
Trust -> Purch_Int	0.242	0.271	0.311	0.779	0.436

In this result, distribution channel role to trust had a significant correlation because the t-statistic was over than t-value (1.96); whereas Sig was 5%.

E. Hypothesis Statement

Hypothesis test was evaluated by comparing t-statistic and t-table.

- **The relationship of Distribution Channel Role to Purchase Intention**

  Ho : Distribution Channel Role has no significant relationship to Purchase Intention

  Ha : Distribution Channel Role has significant relationship to Purchase Intention

  In the study result, t-statistic was 1.397 (< 1.96), therefore Distribution Channel Role has no significant relationship to Purchase Intention

- **The relationship of Distribution Channel Role to Trust**

  Ho : Distribution Channel Role has no significant relationship to Trust

  Ha : Distribution Channel Role has significant relationship to Trust

  In the study result, t-statistic was 13.567 (>= 1.96), therefore Distribution Channel Role has a significant relationship to Trust

- **The relationship of Trust to Purchase Intention**

  Ho : Trust has no significant relationship to Purchase Intention

  Ha : Trust has significant relationship to Purchase Intention

  In the study result, t-statistic was 0.779 (< 1.96), therefore Distribution Channel Role has no significant relationship to Purchase Intention

F. Research Model

Based on outer and inner model evaluation that consist of validity and reliability test, the research model was modified by dropping the un-valid indicators and re-run in SmartPLS software. The new model with the outer loading and path coefficient value had been shown in Figure 5, moreover it had been continuing by hypothesis test and the result will be described as follows:

- Distribution channel must have: an understandable information (B1), an accuracy information (B2), up to date information (B3), a simple information (B4) as studied by Wirtz et all (2013) [13]. Moreover the other roles are to give: an assurance service (B7), competence service (B9), and trustworthiness (B10). Distribution channel also must have the system and technology those could offer the accessibility (B16) and support e-communication (B19).
- The respondents would trust to distribution channel if there are responsiveness (D2), trustworthiness (D4), consistency (D5), integrity (D6), and utmost good faith (D7). For insurer, the respondents would trust if there is an utmost good faith (D14). Furthermore, the respondents would trust to insurance product on its benefit (D15), interaction (D17), trustworthiness (D18), consistency (D19), integrity (D20), and its utmost good faith (D21).
- The factors that would increase the purchase intention are because of product benefit (E4A), price (E4B), promotion (E4C), trust to distribution channel (E4F), trust to insurer (E4G), and trust to product (E4H).

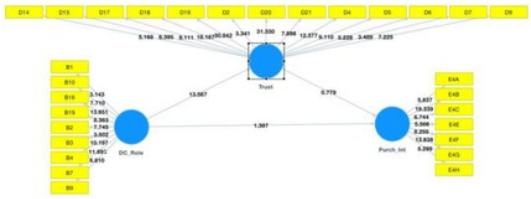

Figure 5. Research Model using PLS-SEM

The relationship of each construct would be described as follows:

- Distribution Channel Role to Purchase Intention has no significant relationship and low correlation;
- Distribution Channel Role to Trust has a significant relationship and high correlation;
- Trust to Purchase Intention has no significant relationship and low correlation.

5. CONCLUSION

In reviewing the result, it becomes clear that the major roles of distribution channel had to simple, give an assurance service, offer the accessibility and make an understandable information. The trust itself had several strong indicators to be mentioned, they are trustworthiness, the consistency and the integrity of product and responsiveness of distribution channel. Customer would intent to purchase the microinsurance product because of price, trust to insurer and product.

In some event, distribution channel role should be a significant relationship factor to customer purchase intention, but the result of this study was low. It would be more explored in the further study, more emphasizing the added value that would be offered to customer [12].

Finally, trust should be the strongest factor to customer purchase intention [21], especially in service industry, but in

this case, the correlation was low. It might be contributed by the other factors those were not discussed in this study. As seem on the strong indicators of trust in this study: trustworthiness, consistency and integrity, it could be explored more deeply in the further study.

However, in situation of microinsurance product was needed, this study did not evaluate the understanding and knowledge in terms of customer insight of microinsurance product itself. Because microinsurance product was relatively new issue in Indonesia, especially for respondents. It would be an opportunity for further research to evaluate the understanding and knowledge of customers towards microinsurance purchase intention.

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